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Arizona's
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July 11, 2012

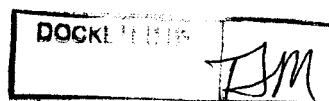
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Commissioner Gary Pierce, Chairman
Commissioner Bob Stump
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Commissioner Paul Newman
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Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

JUL 11 2012



RE: ARIZONA ELECTRIC POWER COOPERATIVE (AEP CO) AND SOUTHWEST TRANSMISSION COOPERATIVE'S (SWTC) (COLLECTIVELY, "ARIZONA G&T COOPERATIVES") COMMENTS ON STAFF'S INITIAL DRAFT OF THE PROPOSED RULE ON PROCESSING OF COOPERATIVE UTILITY RATE CASES; DOCKET NO. RU-00000A-12-0270

Dear Commissioners:

As the Chief Executive Officer of Arizona's G&T Cooperatives, I write to express our strong support for the Cooperative Rate Processing Rule which your Utilities Division Staff filed in this docket on June 25, 2012 (the "Rates Rule"). Together with the Grand Canyon State Electric Cooperative Association (GCSECA), we have been working with Staff on various issues concerning it for the past several months.

We greatly appreciate your Staff's hard work on the Rates Rule and the Commission's willingness to move forward with the formal rulemaking process. We are confident the proposed rule will benefit not only us, our non-profit cooperative Members and their Members, but also the Commission and its Staff through the efficiencies the Rule brings to the regulatory process. Our objective is an efficient and meaningful process for Staff, and Commission review of not-for-profit cooperative financial information in processing rate requests, with appropriate notice to and input opportunities for any interested parties who want to participate in that process. The Rates Rule meets all of those objectives.

We have reviewed and support the two requested changes which GCSECA filed in relation to the Rates Rule on June 28, 2012. First, changing to a 15-year time period instead of a 10-year period (R14-2-107(B)(2)) and the associated issue of being able to file five instead of three cases (R14-2-107(B)(4)) under this process is both reasonable and appropriate. The Cooperatives and

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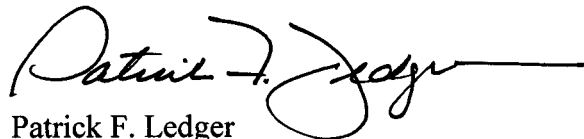
Arizona Electric Power Cooperative, Inc. • Southwest Transmission Cooperative, Inc. • Sierra Southwest Cooperative Services, Inc.

their Members, as well as the Commission and its Staff, will all benefit from the savings associated from the ability to file an additional rate case(s) in our proposed 15-year window. To put those savings in context, AEPCO and SWTC spent more than \$1.37 million on internal and external processing expenses in their last rate cases. We estimate that, for every rate case AEPCO and SWTC can file under the Rates Rule, we will save 50% to 80% of that rate case expense. Further, the Commission's Staff also used outside consultants in our last cases. So, we anticipate the Commission will see internal and external expense efficiencies/reductions as well.

We also support the second change requested by GCSECA in the current draft, i.e., deleting "as defined in A.R.S. § 42-5151" from the definition of "Cooperative" in R14-2-107.4.d. As background, it's clear from other sections of the Rates Rule that generation or transmission cooperatives such as AEPCO and SWTC are cooperatives which can file pursuant to the Rates Rule.¹ However, the tax statute cited at that point in the rule refers to utilities selling electric service at retail which AEPCO and SWTC do not do. To avoid any possible confusion, that is the reason we recommend deleting the citation reference, as requested in the GCSECA comments.

In conclusion, we strongly urge the Commission to move to the formal Administrative Procedures Act the processing of these Rate Rules with these two amendments.

Sincerely,



Patrick F. Ledger
Chief Executive Officer

cc (delivered): Each Commissioner (2 copies)
Steve Olea, Director, Utilities Division
Janice Alward, Legal Division
Charles Hains, Legal Division

Original and 13 copies filed with Docket
Control this 11th day of July, 2012.

¹ See, for example, R14-2-107.B.15, C.5.b and D.6, all of which mention a "generation or transmission cooperative" in the Eligibility, Pre-Filing and Notice sections of the Rates Rule.